

City of Boyden, Iowa
Independent Auditor's Reports
Basic Financial Statements and Supplementary Information
Schedule of Findings And Questioned Costs
June 30, 2011

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**City of Boyden, Iowa
Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Lammers	Mayor	Jan. 2014
Dale Winter	Mayor Pro-Tem	Jan. 2014
Kim Ochsendorf	Council Member	Jan. 2012
Ken Hoogendoorn	Council Member	Jan. 2012
Roger Nelson	Council Member	Jan. 2012
Justin Beukelman	Council Member	Jan. 2014
Lori Wolkow	City Administrator	Indefinite
John De Koster	Attorney	Indefinite

City of Boyden, Iowa



Van Bruggen & Vande Vegte, P.C.
Certified Public Accountants and Financial Advisors

Independent Auditor's Report

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To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boyden, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Boyden, Iowa's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boyden, Iowa as of June 30, 2011, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated January 9, 2012 on our consideration of the City of Boyden's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the

internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 7 through 12 and 37 through 38 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Boyden's basic financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

January 9, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Boyden provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2011 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities amounted to approximately \$1,601,000 for fiscal year 2011. Property tax was approximately \$174,000, tax incremental financing was approximately \$137,000 and there were bond, note and loan proceeds issued of approximately \$405,000.
- Disbursements of the City's governmental activities amounted to approximately \$1,683,00, in fiscal year 2011. Public safety disbursements were approximately \$101,000 and public works, culture and recreation, community and economic development, general government, debt service and capital projects were approximately \$98,000, \$137,000, \$34,000, \$152,000, \$752,000 and \$409,000, respectively.
- The City's total cash basis net assets amounted to \$339,741 for June 30, 2011. Of this amount, the assets of the governmental activities amounted to approximately \$235,000 and the assets of the business type activities amounted to approximately \$105,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include the waterworks, sanitary sewer system, and garbage collection. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Urban Renewal Tax Increment, 3) the Debt Service Fund, 4) the Capital Projects Fund and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

2) Proprietary funds account for the City's Enterprise Funds and for the Internal Service Fund. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for water, sewer, and garbage funds, considered to be major funds of the City. Internal Service Funds are an accounting device used to accumulate and allocate costs internally among the City's various functions.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

Reconciliations between government-wide statement and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities amounted to \$235,048. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		Year Ended June 30, 2011
Receipts:		
Program receipts:		
Charges for service	\$	21
Operating grants, contributions and restricted interest		34
Capital grants, contributions and restricted interest		46
General receipts:		
Property tax		311
Local option sales tax		74
Grants and contributions not restricted to specific purposes		-
Unrestricted interest on investments		3
Bond and loan proceeds		862
Other general receipts		250
Total receipts	\$	<u>1,601</u>
Disbursements:		
Public safety	\$	101
Public works		98
Health and social services		-
Culture and recreation		137
Community and economic development		34
General government		152
Debt service		752
Capital projects		409
Total disbursements	\$	<u>1,683</u>
Change in cash basis net assets before transfers	\$	(82)
Transfers, net		<u>71</u>
Change in cash basis net assets	\$	(11)
Cash basis net assets beginning of year		<u>246</u>
Cash basis net assets end of year	\$	<u>235</u>

The City's total receipts for governmental activities amounted to approximately \$1,601,000. The total cost of all programs and services amounted to approximately \$1,683,000 with no new programs added this year.

The City did not change property tax rates for 2011. This stabilization and more importantly the increase in housing, commercial and industrial development increased the City's property tax receipts to approximately \$174,000 in fiscal year 2011 and raised the City's tax increment financing collections to \$137,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase next year.

The cost of all governmental activities this year was \$1.683 million. However, as shown in the Statement of Activities and Net Assets on pages 15-18, the amount taxpayers ultimately financed for these activities was only \$1.582 million because some of the cost was paid by those directly benefited from the programs (\$21,000) or by other governments and organizations which subsidized certain programs with grants, contributions and restricted interest (\$80,000). Overall, the City's governmental activities receipts, including intergovernmental aid and fees for service, amounted to \$1,600,649.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

Receipts:	<u>Year Ended</u> <u>June 30, 2011</u>
Program receipts:	
Charges for service:	
Water	\$ 151
Sewer	163
Garbage	34
Capital grants, contributions and restricted interest	-
General Receipts:	
Unrestricted interest on investments	-
Bond proceeds	-
Other general receipts	-
Total receipts	<u>\$ 348</u>
Disbursements and transfers:	
Water	\$ 125
Sewer	110
Garbage	30
Total disbursements	<u>\$ 265</u>
Change in cash basis net assets before transfers	\$ 83
Transfers, net	<u>(71)</u>
Change in cash basis net assets	\$ 12
Cash basis net assets beginning of year	93
Cash basis net assets end of year	<u>\$ 105</u>

Total business type activities receipts for the fiscal year were approximately \$348 thousand. The cash balance increased approximately \$12,000 from the prior year. Total disbursements and transfers for the fiscal year amounted to approximately \$336 thousand.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As City of Boyden completed the year, its governmental funds reported a combined fund balance of \$235,000, a decrease of more than \$10,000 below last year's total of \$245,895. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance decreased \$17,228 from the prior year to \$225,571.
- The Special Revenue Road Use Tax Fund cash balance amounted to \$0 as of the end of the fiscal year.
- The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$354.
- The Debt Service Fund cash balance increased by \$6,381 to \$9,123 during the fiscal year. This increase was due to an increase in bonding and lack of transfers out.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Enterprise, Water Fund cash balance increased by \$6,447 to \$26,926, due primarily to volume usage.
- The Enterprise, Sewer Fund cash balance increased by \$2,017 to \$74,255, due primarily to volume usage.
- The Enterprise, Garbage Fund cash balance increased by \$3,512 to \$3,512, due primarily to an increase in customers and price of charges.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget. The amendment was approved on June 27, 2011 and resulted in a slight increase in operating expenditures. Expenditures increased due to capital projects and repayment of bonds.

The City's receipts were \$890,956 more than the amended budget due to more receipts from special assessments and miscellaneous receipts.

The City's disbursements were \$310,056 more than the amended budget due to more disbursements for debt service.

The City exceeded the amount budgeted in the culture and recreation, general government and debt service functions for the year ended June 30, 2011.

DEBT ADMINISTRATION

At June 30, 2011, the City had approximately \$1,480,000 in bonds and other long-term debt outstanding.

Outstanding Debt at Year-End (Expressed in Thousands)	
	<u>Year Ended</u> <u>June 30, 2011</u>
General obligation bonds and notes	\$ 815.9
Special assessment bonds and notes	-
Urban renewal tax increment financing revenue bonds	-
Revenue notes	664
Anticipatory warrants	-
Total	<u>\$ 1,479.9</u>

Debt increased as a result of general obligation bonds and notes being issued in the past year. In addition, the City issued revenue notes for the purpose of defraying a portion of the costs of carrying out water and sewer projects of the city.

The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$815,923 is below its constitutional debt limit of approximately \$1.466 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Boyden's elected and appointed officials and citizens considered many factors when setting the fiscal year 2012 budget, tax rates, and fees charged for various City activities. One of those factors is the economy. The City's employment growth has mirrored its population growth during 2007-2011, which saw the City grow to a population of 707. Unemployment in the city is unknown, however the State's unemployment rate is 6.5% and the national rate is 9.0%. These indicators were taken into account when adopting the budget for fiscal year 2012. Amounts available for appropriation in the operating budget are approximately \$877,000. Property tax (benefiting from the fiscal year 2011 rate increases and increases in assessed valuations) are expected to continue to increase. The City will use these increases in receipts to finance programs we currently offer and to defray a portion of the costs of carrying out a major capital project of the City. Budgeted disbursements are expected to decrease by approximately \$687,000. Increases in capital projects represent the largest increases.

If these estimates are realized, the City's budgeted cash balance is expected to decrease slightly by the close of 2012.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Lori Wolkow, City Administrator, 609 Webb Street, Boyden, Iowa 51234.

City of Boyden, Iowa

Basic Financial Statements

City of Boyden, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

		Program Receipts		
			Operating Grants, Capital Grants, Contributions, and Restricted Interest	Contributions and Restricted Interest
	Disbursements	Charges for Service	Interest	Interest
Functions / Programs:				
Governmental activities:				
Public safety	\$ 100,584	\$ 16,875	\$ -	\$ -
Public works	98,278	-	33,687	-
Health and social services	-	-	-	-
Culture and recreation	137,033	3,931	-	-
Community and economic development	34,137	-	-	3,571
General government	151,726	-	-	-
Debt service	752,269	-	-	-
Capital projects	<u>408,316</u>	<u>-</u>	<u>-</u>	<u>41,971</u>
Total governmental activities	<u>\$1,682,343</u>	<u>\$ 20,806</u>	<u>\$ 33,687</u>	<u>\$ 45,542</u>
Business type activities:				
Water	\$ 124,672	\$ 151,150	\$ -	\$ -
Sewer	110,416	163,249	-	-
Garbage	<u>30,333</u>	<u>33,845</u>	<u>-</u>	<u>-</u>
Total business type activities	<u>\$ 265,421</u>	<u>\$ 348,244</u>	<u>\$ -</u>	<u>\$ -</u>
Total	<u>\$1,947,764</u>	<u>\$ 369,050</u>	<u>\$ 33,687</u>	<u>\$ 45,542</u>
General Receipts and Transfers:				
Property and other city tax levied for:				
General purposes				
Debt service				
Tax increment financing				
Local option sales tax				
Grants and contributions not restricted to specific purposes				
Unrestricted interest on investments				
Loan and note proceeds				

(Continued on page 17)

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (83,709)	\$ -	\$ (83,709)
(64,591)	-	(64,591)
-	-	-
(133,102)	-	(133,102)
(30,566)	-	(30,566)
(151,726)	-	(151,726)
(752,269)	-	(752,269)
<u>(366,345)</u>	<u>-</u>	<u>(366,345)</u>
<u>\$ (1,582,308)</u>	<u>\$ -</u>	<u>\$ (1,582,308)</u>
\$ -	\$ 26,478	\$ 26,478
-	52,833	52,833
-	3,512	3,512
<u>\$ -</u>	<u>\$ 82,823</u>	<u>\$ 82,823</u>
<u>\$ (1,582,308)</u>	<u>\$ 82,823</u>	<u>\$ (1,499,485)</u>
\$ 156,864	\$ -	\$ 156,864
17,218	-	17,218
136,596	-	136,596
73,690	-	73,690
-	-	-
3,632	-	3,632
405,548	-	405,548

(Continued on page 18)

(Continued from page 15)

City of Boyden, Iowa
Statement of Activities and Net Assets – Cash Basis
As of and for the year ended June 30, 2011

	<u>Program Receipts</u>			
		Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Interest</u>	<u>Interest</u>
Miscellaneous				
Sale of assets				
Transfers				
Total general receipts and transfers				
Change in cash basis net assets				
Cash basis net assets beginning of year				
Cash basis net assets end of year				
Cash Basis Net Assets				
Restricted:				
Expendable:				
Streets				
Urban renewal purposes				
Debt service				
Other purposes				
Unrestricted				
Total cash basis net assets				

See notes to financial statements.

(Continued from page 16)

Exhibit A

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business Type Activities	Total
707,066	-	707,066
-	-	-
<u>70,847</u>	<u>(70,847)</u>	<u>-</u>
\$ 1,571,461	\$ (70,847)	\$ 1,500,614
\$ (10,847)	\$ 11,976	\$ 1,129
<u>245,895</u>	<u>92,717</u>	<u>338,612</u>
<u>\$ 235,048</u>	<u>\$ 104,693</u>	<u>\$ 339,741</u>
\$ -	\$ -	\$ -
354	-	354
-	-	-
9,113	-	9,113
<u>225,581</u>	<u>104,693</u>	<u>330,274</u>
<u>\$ 235,048</u>	<u>\$ 104,693</u>	<u>\$ 339,741</u>

City of Boyden, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

		Special Revenue		
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service
Receipts:				
Property tax	\$ 133,527	\$ -	\$ -	\$ 17,218
Tax increment financing	-	-	136,596	-
Other city tax	-	-	-	-
Licenses and permits	363	-	-	-
Use of money and property	6,607	-	-	-
Intergovernmental	33,687	65,659	-	-
Charges for service	20,806	-	-	-
Special assessments	-	-	-	-
Miscellaneous	66,702	-	-	456,004
Total receipts	<u>\$ 261,692</u>	<u>\$ 65,659</u>	<u>\$ 136,596</u>	<u>\$ 473,222</u>
Disbursements:				
Operating:				
Public safety	\$ 100,584	\$ -	\$ -	\$ -
Public works	-	88,702	-	-
Health and social services	-	-	-	-
Culture and recreation	133,849	-	-	-
Community and economic development	34,137	-	-	-
General government	148,176	-	-	-
Debt service	-	-	-	752,269
Capital projects	-	-	-	-
Total disbursements	<u>\$ 416,746</u>	<u>\$ 88,702</u>	<u>\$ -</u>	<u>\$ 752,269</u>
Excess of receipts over (under) disbursements	<u>\$ (155,054)</u>	<u>\$ (23,043)</u>	<u>\$ 136,596</u>	<u>\$ (279,047)</u>
Other financing sources (uses):				
Bond and loan proceeds	\$ -	\$ -	\$ -	\$ 405,548
Sale of capital assets	-	-	-	-
Operating transfers in	182,852	23,043	-	135,990
Operating transfers out	(45,026)	-	(136,596)	(262,491)
Total other financing sources (uses)	<u>\$ 137,826</u>	<u>\$ 23,043</u>	<u>\$ (136,596)</u>	<u>\$ 279,047</u>

(Continued on page 21)

Nonmajor	Total
\$ 23,337	\$ 174,082
-	136,596
73,690	73,690
-	363
-	6,607
41,971	141,317
-	20,806
118,934	118,934
-	522,706
<u>\$ 257,932</u>	<u>\$ 1,195,101</u>
\$ -	\$ 100,584
9,576	98,278
-	-
3,184	137,033
-	34,137
3,550	151,726
-	752,269
408,316	408,316
<u>\$ 424,626</u>	<u>\$ 1,682,343</u>
<u>\$ (166,694)</u>	<u>\$ (487,242)</u>
\$ -	\$ 405,548
-	-
270,102	611,987
(97,027)	(541,140)
<u>\$ 173,075</u>	<u>\$ 476,395</u>

(Continued on page 22)

(Continued from page 19)

City of Boyden, Iowa
Statement of Cash Receipts, Disbursements
And Changes in Cash Balances
Governmental Funds
As of and for the year ended June 30, 2011

	Special Revenue			
	General	Road Use Tax	Urban Renewal Tax Increment	Debt Service
Net change in cash balances	\$ (17,228)	\$ -	\$ -	\$ -
Cash balances beginning of year	<u>242,799</u>	<u>-</u>	<u>354</u>	<u>-</u>
Cash balances end of year	<u>\$ 225,571</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ -</u>
Cash Basis Fund Balances				
Restricted for:				
Urban renewal purposes	\$ -	\$ -	\$ 354	\$ -
Debt service	-	-	-	-
Streets	-	-	-	-
Other purposes	-	-	-	-
Unassigned	<u>225,571</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ 225,571</u>	<u>\$ -</u>	<u>\$ 354</u>	<u>\$ -</u>

See notes to financial statements.

(Continued from page 20)

Exhibit B

<u>Nonmajor</u>	<u>Total</u>
\$ 6,381	\$ (10,847)
<u>2,742</u>	<u>245,895</u>
<u>\$ 9,123</u>	<u>\$ 235,048</u>
\$ -	\$ 354
-	-
-	-
9,113	9,113
<u>10</u>	<u>225,581</u>
<u>\$ 9,123</u>	<u>\$ 235,048</u>

City of Boyden, Iowa

City of Boyden, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Governmental Funds
As of and for the year ended June 30, 2011

Total governmental funds cash balances (page 22)	\$ <u>235,048</u>
Cash basis net assets of governmental activities (page 18)	\$ <u>235,048</u>
Net change in cash balances (page 22)	\$ <u>(10,847)</u>
Change in cash balances net assets of governmental activities (page 18)	\$ <u>(10,847)</u>

See notes to financial statements.

City of Boyden, Iowa
Statement of Cash Receipts, Disbursements and Changes in Cash Balances
Proprietary Funds
As of and for the year ended June 30, 2011

Exhibit D

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating Receipts:				
Charges for service	\$ 142,583	\$ 163,249	\$ 33,845	\$ 339,677
Miscellaneous	<u>8,567</u>	<u>-</u>	<u>-</u>	<u>8,567</u>
Total operating receipts	<u>\$ 151,150</u>	<u>\$ 163,249</u>	<u>\$ 33,845</u>	<u>\$ 348,244</u>
Operating disbursements:				
Governmental activities:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	-	-	-	-
Culture and recreation	-	-	-	-
General government	-	-	-	-
Business type activities	<u>124,672</u>	<u>110,416</u>	<u>30,333</u>	<u>265,421</u>
Total operating disbursements	<u>\$ 124,672</u>	<u>\$ 110,416</u>	<u>\$ 30,333</u>	<u>\$ 265,421</u>
Excess (deficiency) of operating receipts over (under) operating disbursements	<u>\$ 26,478</u>	<u>\$ 52,833</u>	<u>\$ 3,512</u>	<u>\$ 82,823</u>
Non-operating receipts (disbursements):				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest on bond proceeds	-	-	-	-
Miscellaneous	-	-	-	-
General obligation bond proceeds	-	-	-	-
Debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating receipts (disbursements)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 26,478</u>	<u>\$ 52,833</u>	<u>\$ 3,512</u>	<u>\$ 82,823</u>
Operating transfers out	<u>(20,031)</u>	<u>(50,816)</u>	<u>-</u>	<u>(70,847)</u>
Net change in cash balances	\$ 6,447	\$ 2,017	\$ 3,512	\$ 11,976
Cash balances beginning of year	<u>20,479</u>	<u>72,238</u>	<u>-</u>	<u>92,717</u>
Cash balances end of year	<u>\$ 26,926</u>	<u>\$ 74,255</u>	<u>\$ 3,512</u>	<u>\$ 104,693</u>
Cash Basis Fund Balances				
Restricted for debt service	\$ -	\$ -	\$ -	\$ -
Unrestricted	<u>26,926</u>	<u>74,255</u>	<u>3,512</u>	<u>104,693</u>
Total cash basis fund balances	<u>\$ 26,926</u>	<u>\$ 74,255</u>	<u>\$ 3,512</u>	<u>\$ 104,693</u>

See notes to financial statements.

City of Boyden, Iowa
Reconciliation of the Statement of Cash
Receipts, Disbursements and Changes in Cash Balances
to the Statement of Activities and Net Assets –
Proprietary Funds
As of and for the year ended June 30, 2011

Total enterprise funds cash balances (page 25)	\$ <u>104,693</u>
Cash basis net assets of business type activities (page 18)	\$ <u>104,693</u>
Net change in cash balances (page 25)	\$ <u>11,976</u>
Change in cash balances net assets of business type activities (page 18)	\$ <u>11,976</u>

See notes to financial statements.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

(1) Summary of Significant Accounting Policies

The City of Boyden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1889 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services. The City also provides water, sewer utilities and garbage collection for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Boyden has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Boyden Park Board, Boyden Economic Development Board, Boyden Fire Department Board, Boyden Community Foundation, Boyden Housing Board, Sheridan Township Cemetery Board, Northwest Iowa Solid Waste Agency, Northwest Iowa Development Board, and Northwest Iowa Housing Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

B. Basis of Presentation (continued)

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Nonexpendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including the City's Permanent Fund.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts from general and emergency levies and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

Local Option Sales Tax Fund is used to account for the one percent local sales and service tax activity.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

B. Basis of Presentation (continued)

The Special Revenue, TIF Fund was established in a previous fiscal year to account for major urban renewal projects and tax increment financing collections and the repayment of tax increment financing indebtedness within the City.

The Debt Service Fund is utilized to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation and maintenance of the City's garbage collection system.

C. Measurement Focus and Basis of Accounting

The City of Boyden maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classification – committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

D. Governmental Cash Basis Fund Balances:

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts the Council intends to use for specific purposes.

Unassigned – All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, general government, and debt service.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2011 were entirely covered by federal depository insurance, or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

(3) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation loans and revenue notes are as follows:

Year Ending June 30.	General Obligation Loans		Revenue Notes/Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 62,729	\$ 31,271	\$ 45,000	\$ 19,920	\$ 107,729	\$ 51,191
2013	65,444	28,556	48,000	18,570	113,444	47,126
2014	68,297	25,704	49,000	17,130	117,297	42,834
2015	323,658	22,724	52,000	15,660	375,658	38,384
2016	295,795	10,444	53,000	14,100	348,795	24,544
2017 – 2021	0	0	295,000	45,570	295,000	45,570
2022 – 2026	0	0	98,000	8,400	98,000	8,400
2027 – 2031	0	0	24,000	1,800	24,000	1,800
Total	<u>\$ 815,923</u>	<u>\$ 118,699</u>	<u>\$ 664,000</u>	<u>\$ 141,150</u>	<u>\$ 1,479,923</u>	<u>\$ 259,849</u>

Revenue Notes and Loans

The City has pledged future water customer receipts, net of specified operating disbursements, to repay \$700,000 in water revenue notes issued in March, 2001. Proceeds from the notes provided financing for the construction of water tower. The notes are payable solely from water customer net receipts and are payable through 2022. The total principal and interest remaining to be paid on the notes is \$533,740. For the current year, principal and interest paid per issuance and total customer net receipts were \$50,672 and \$26,478, respectively.

The City has pledged future sewer customer receipts, net of specified operating disbursements, to repay \$196,000 and \$93,000 in sewer revenue notes issued in June, 2003 and February, 2010, respectively. Proceeds from the notes provided financing for the construction of improvements to the sewer treatment system. The notes are payable solely from sewer customer net receipts and are payable through 2023 and 2030, respectively. The total principal and interest remaining to be paid on the notes is \$271,410. For the current year, principal and interest paid per issuance and total customer net receipts were \$19,117, and \$52,834, respectively.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

The resolutions providing for the issuance of the revenue notes include the following provisions:

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and the note holders hold a lien on the future earnings of the funds.
- (b) The city does not expect to create or establish any sinking fund or similar fund in respect to the notes. No amounts in any other account or funds of the city are reserved or pledged for debt service on the notes.

(4) Pension and Retirement Benefits

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 4.50% of their annual salary and the City is required to contribute 6.95% of covered payroll. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contribution to IPERS for the year ended June 30, 2011 was \$13,054, equal to the required contribution for the year.

(5) Other Postemployment Benefits (OPEB)

Plan Description – The City does not operate any single-employer health benefit plan which provides medical/prescription drug benefits for employees and retirees and their spouses.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2011, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 4,111
Sick Leave	5,421
Total	<u>\$ 9,532</u>

This liability has been computed based on rates of pay in effect as of June 30, 2011.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

Transfer to	Transfer from	Amount
General	Special Revenue:	
	Employee Benefits	\$ 19,652
	Tax Increment Financing	136,596
	Emergency Tax Levy	3,685
	Local Option Sales Tax	5,701
	Debt Service	17,218
Special Revenue:	Special Revenue:	
Employee Benefits	Local Option Sales Tax	16,310
Road Use Tax		23,044
Local Assistance Housing Program		6,381
Debt Service	General	42,889
	Special Revenue:	
	Local Option Sales Tax	22,254
	Enterprise:	
	Water	20,031
	Sewer	50,817
Capital Projects:		
Lift Station	General	2,137
	Special Revenue:	
	Local Option Sales Tax	31,120
E. Prairie	Debt Service	214,153
		<u>\$ 611,988</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

City of Boyden, Iowa
Notes to Financial Statements
June 30, 2011

(8) Related Party Transactions

The City had business transactions between the City and City officials totaling \$1,095 during the year ended June 30, 2011.

(9) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in the past fiscal year.

(10) Subsequent Events

Subsequent events have been evaluated through January 9, 2012, which is the date the financial statements were issued.

City of Boyden, Iowa

Required Supplementary Information

City of Boyden, Iowa
Budgetary Comparison Schedule
of Receipts, Disbursements, and Changes in Balances –
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds
Required Supplementary Information
Year Ended June 30, 2011

	Governmental Funds		Proprietary Funds	Total
	Actual	Actual	Actual	
Receipts:				
Property tax	\$ 174,082	\$ -	\$ -	\$ 174,082
Tax increment financing	136,596	-	-	136,596
Other city tax	73,690	-	-	73,690
Licenses and permits	363	-	-	363
Use of money and property	6,607	-	-	6,607
Intergovernmental	141,317	-	-	141,317
Charges for service	20,806	339,677	-	360,483
Special assessments	118,934	-	-	118,934
Miscellaneous	522,706	8,567	-	531,273
Total receipts	<u>\$1,195,101</u>	<u>\$ 348,244</u>		<u>\$1,543,345</u>
Disbursements:				
Public safety	\$ 100,584	\$ -	\$ -	\$ 100,584
Public works	98,278	-	-	98,278
Health and social services	-	-	-	-
Culture and recreation	137,033	-	-	137,033
Community and economic development	34,137	-	-	34,137
General government	151,726	-	-	151,726
Debt service	752,269	-	-	752,269
Capital projects	408,316	-	-	408,316
Business type activities	-	265,421	-	265,421
Total disbursements	<u>\$1,682,343</u>	<u>\$ 265,421</u>		<u>\$1,947,764</u>
Excess of receipts over disbursements	\$ (487,242)	\$ 82,823		\$ (404,419)
Other financing sources, net	<u>476,395</u>	<u>(70,847)</u>		<u>405,548</u>
Excess of receipts and other financing sources over disbursements and other financing uses	\$ (10,847)	\$ 11,976		\$ 1,129
Balance - beginning of year	<u>245,895</u>	<u>92,717</u>		<u>338,612</u>
Balance - end of year	<u>\$ 235,048</u>	<u>\$ 104,693</u>		<u>\$ 339,741</u>

See accompanying independent auditor's report.

Budgeted Amounts		Final to
Original	Final	Total Variance
\$ 151,209	\$ 151,209	\$ 22,873
134,399	134,399	2,197
90,908	90,908	(17,218)
213	213	150
12,300	12,300	(5,693)
249,999	249,999	(108,682)
384,693	384,693	(24,210)
13,666	13,666	105,268
<u>20,550</u>	<u>20,550</u>	<u>510,723</u>
<u>\$ 1,057,937</u>	<u>\$ 1,057,937</u>	<u>\$ 485,408</u>
\$ 103,438	\$ 117,438	\$ 16,854
98,614	98,614	336
-	-	-
88,525	88,525	(48,508)
143,399	143,399	109,262
120,555	140,555	(11,171)
73,666	77,666	(674,603)
426,800	426,800	18,484
<u>544,711</u>	<u>544,711</u>	<u>279,290</u>
<u>\$ 1,599,708</u>	<u>\$ 1,637,708</u>	<u>\$ (310,056)</u>
\$ (541,771)	\$ (579,771)	\$ 175,352
<u>604,000</u>	<u>604,000</u>	<u>(198,452)</u>
\$ 62,229	\$ 24,229	\$ (23,100)
<u>406,349</u>	<u>406,349</u>	<u>(67,737)</u>
<u>\$ 468,578</u>	<u>\$ 430,578</u>	<u>\$ (90,837)</u>

City of Boyden, Iowa
Notes to Required Supplementary Information – Budgetary Reporting
June 30, 2011

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except the Internal Service Fund. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Funds and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, budget amendments increased budgeted disbursements by \$38,000. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2011, disbursements exceeded the amounts budgeted in the culture and recreation, general government, and debt service activities functions.

Other Supplementary Information

City of Boyden, Iowa
Bond and Note Maturities
June 30, 2011

General Obligation Notes

Year Ending June 30	<u>Citizens State Bank</u> <u>Twin Court</u> <u>Issued February 11, 2011</u>		<u>Citizens State Bank</u> <u>E. Prairie Street</u> <u>Issued April 13, 2011</u>		<u>Total</u>
	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Amount</u>	
2012	3.50%	\$ 8,790	3.55%	\$ 11,714	\$ 62,729
2013	3.50	9,098	3.55	12,130	65,444
2014	3.50	9,416	3.55	12,561	68,297
2015	3.50	9,746	3.55	13,007	323,658
2016	3.50	<u>111,806</u>	3.55	<u>183,989</u>	<u>295,795</u>
Total		<u>\$ 148,856</u>		<u>\$ 233,401</u>	<u>\$ 815,923</u>

City of Boyden, Iowa
Bond and Note Maturities
June 30, 2011

General Obligation Notes

Year Ending June 30	<u>Citizens State Bank</u> <u>Library Building</u> <u>Issued January 7, 2010</u>		<u>Citizens State Bank</u> <u>Railroad Street</u> <u>Issued February 15, 2005</u>		<u>Citizens State Bank</u> <u>Railroad Street</u> <u>Issued February 15, 2005</u>	
	Interest		Interest		Interest	
	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>	<u>Rate</u>	<u>Amount</u>
2012	3.75%	\$ 8,322	4.75%	\$ 6,255	5.00%	\$ 27,648
2013	3.75	8,634	-	-	5.00	35,582
2014	3.75	8,958	-	-	5.00	37,362
2015	3.75	285,497	-	-	5.00	15,408
2016	-	-	-	-	-	-
Total		<u>\$ 311,411</u>		<u>\$ 6,255</u>		<u>\$ 116,000</u>

Revenue Notes

Year Ending June 30	<u>Water</u> <u>Issued March 1, 2001</u>		<u>Sewer</u> <u>Issued June 17, 2003</u>		<u>Sewer</u> <u>Issued February 3, 2010</u>	
	Interest		Interest		Interest	
	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>	<u>Rates</u>	<u>Amount</u>
2012	3.00%	\$ 33,000	3.00%	\$ 9,000	3.00%	\$ 3,000
2013	3.00	35,000	3.00	9,000	3.00	4,000
2014	3.00	36,000	3.00	9,000	3.00	4,000
2015	3.00	38,000	3.00	10,000	3.00	4,000
2016	3.00	39,000	3.00	10,000	3.00	4,000
2017	3.00	40,000	3.00	10,000	3.00	4,000
2018	3.00	42,000	3.00	11,000	3.00	4,000
2019	3.00	44,000	3.00	11,000	3.00	4,000
2020	3.00	45,000	3.00	11,000	3.00	5,000
2021	3.00	47,000	3.00	12,000	3.00	5,000
2022	3.00	49,000	3.00	12,000	3.00	5,000
2023	-	-	3.00	12,000	3.00	5,000
2024	-	-	-	-	3.00	5,000
2025	-	-	-	-	3.00	5,000
2026	-	-	-	-	3.00	5,000
2027	-	-	-	-	3.00	6,000
2028	-	-	-	-	3.00	6,000
2029	-	-	-	-	3.00	6,000
2030	-	-	-	-	3.00	6,000
		<u>\$ 448,000</u>		<u>\$ 126,000</u>		<u>\$ 90,000</u>

See accompanying independent auditor's report.

Schedule 2

Amount Originally Issued	Balance Beginning Of Year	Issued During Year	Redeemed During Year	Balance End Of Year	Interest Paid	Interest Due and Unpaid
\$ 336,730	\$ 319,847	\$ -	\$ 8,436	\$ 311,411	\$ 11,991	\$ -
103,000	57,709	-	51,454	6,255	418	-
116,000	116,000	-	-	116,000	5,346	-
148,856	-	148,856	-	148,856	-	-
233,401	-	233,401	-	233,401	-	-
	<u>\$ 493,556</u>	<u>\$ 382,257</u>	<u>\$ 59,890</u>	<u>\$ 815,923</u>	<u>\$ 17,755</u>	<u>\$ -</u>
\$ 700,00	\$ 480,000	\$ -	\$ 32,000	\$ 448,000	\$ 18,672	\$ -
196,000	135,000	-	9,000	126,000	4,388	-
93,000	69,709	23,291	3,000	90,000	2,730	-
	<u>\$ 684,709</u>	<u>\$ 23,291</u>	<u>\$ 44,000</u>	<u>\$ 664,000</u>	<u>\$ 25,790</u>	<u>\$ -</u>

**City of Boyden, Iowa
Schedule of Indebtedness
Year Ended June 30, 2011**

Obligation	Date of Issue	Interest Rates
General Obligation loans:		
Citizens State Bank	January 7, 2010	3.75%
Citizens State Bank	February 5, 2005	4.75
Citizens State Bank	February 15, 2011	5.00
Citizens State Bank	February 11, 2011	3.50
Citizens State Bank	April 13, 2011	3.55
Total		
Revenue Notes:		
Water Revenue Capital Loan Notes	March 1, 2001	3.00%
Sewer Revenue Capital Loan Notes	June 17, 2003	3.00
Sewer Revenue Capital Loan Notes	February 3, 2010	3.00
Total		

See accompanying independent auditor's report.

Revenue

Capital
Projects Total

\$ - \$ 9,113
 10 10

\$ 10 \$ 9,123

(Continued from page 41)

City of Boyden, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of and for the year ended June 30, 2011

	Special			
	Local Option Sales Tax	Emergency Tax Levy	Local Housing Assistance Program	
Cash Basis Fund Balances				
Restricted for other purposes	\$ -	\$ -	\$ -	\$ 9,113
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash basis fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ 9,113</u>

See accompanying independent auditor's report.

Schedule 1

Revenue

Capital Projects	Total
\$ -	\$ 23,337
-	73,690
-	-
41,971	41,971
118,934	118,934
<u>-</u>	<u>-</u>
<u>\$ 160,905</u>	<u>\$ 257,932</u>

\$ -	\$ 9,576
-	-
-	3,184
-	3,550
-	-
-	-
408,316	408,316
<u>\$ 408,316</u>	<u>\$ 424,626</u>

\$ (247,411) \$ (166,694)

\$ 247,411	\$ 270,102
<u>-</u>	<u>(97,027)</u>
<u>\$ 247,411</u>	<u>\$ 173,075</u>

\$ - \$ 6,381

10 2,742

\$ 10 \$ 9,123

(Continued on page 44)

City of Boyden, Iowa
Schedule of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Funds
As of the year ended June 30, 2011

	Employee Benefits	Local Option Sales Tax	Emergency Tax Levy	Special Local Housing Assistance Program
Receipts:				
Property tax	\$ 19,652	\$ -	\$ 3,685	\$ -
Other city tax	-	73,690	-	-
Use of money and property	-	-	-	-
Intergovernmental	-	-	-	-
Special assessments	-	-	-	-
Miscellaneous	-	-	-	-
Total receipts	<u>\$ 19,652</u>	<u>\$ 73,690</u>	<u>\$ 3,685</u>	<u>\$ -</u>
Disbursements:				
Operating:				
Public safety	\$ -	\$ -	\$ -	\$ -
Public works	9,576	-	-	-
Health and social services	-	-	-	-
Culture and recreation	3,184	-	-	-
General government	3,550	-	-	-
Debt service	-	-	-	-
Capital projects	-	-	-	-
Total disbursements	<u>\$ 16,310</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 3,342	\$ 73,690	\$ 3,685	\$ -
Other financing uses:				
Operating transfers in	\$ 16,310	\$ -	\$ -	\$ 6,381
Operating transfers out	<u>(19,652)</u>	<u>(73,690)</u>	<u>(3,685)</u>	<u>-</u>
Net Transfers	<u>\$ (3,342)</u>	<u>\$ (73,690)</u>	<u>\$ (3,685)</u>	<u>\$ 6,381</u>
Net change in cash balances	\$ -	\$ -	\$ -	\$ 6,381
Cash balances beginning of year	-	-	-	2,732
Cash balances end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,113</u>

(Continued on page 43)

City of Boyden, Iowa
Schedule of Receipts By Source and Disbursements By Function
All Government Funds
For The Year

	<u>2011</u>
Receipts:	
Property tax	\$ 174,082
Tax increment financing	136,596
Other city tax	73,690
Licenses and permits	363
Use of money and property	6,607
Intergovernmental	141,317
Charges for service	369,050
Special assessments	118,934
Miscellaneous	<u>522,706</u>
Total	<u>\$ 1,543,345</u>
Disbursements:	
Operating:	
Public safety	\$ 100,584
Public works	98,278
Health and social services	-
Culture and recreation	137,033
Community and economic development	34,137
General government	151,726
Debt service	752,269
Capital projects	<u>408,316</u>
Total	<u>\$ 1,682,343</u>

See accompanying independent auditor's report.



Van Bruggen & Vande Vegte, P.C.
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Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Honorable Mayor and Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Boyden, Iowa, as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements listed in the table of contents and have issued our report thereon dated January 9, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Boyden's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Boyden's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Boyden's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of City of Boyden's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-C-11, II-D-11, II-E-11, II-F-11, and II-G-11 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Boyden's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

City of Boyden's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the City's responses, we did not audit City of Boyden's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Boyden and other parties to whom the City of Boyden may report including federal awarding agencies and pass-through entities, and report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Boyden during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Van Bruggen & Vande Vegte, P.C.
Van Bruggen & Vande Vegte, P.C.

January 9, 2012

City of Boyden, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Significant deficiencies and material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

Part II: Findings Related to the Financial Statements:

Internal Control Deficiencies:

- II-A-11 Financial Reporting – During the audit, we identified a material amount of property tax misposted to the General Fund rather than the Debt Service Fund and Special Revenue Fund. Adjustments were subsequently made by the City to properly report the amounts in the City's financial statements.

Recommendation – The City should implement procedures to ensure property tax receipts are properly recorded in the City's financial statements.

Response and Corrective Action Planned – We will double check this in the future to avoid posting errors and post the receipts based on correspondence received from the county treasurer. We plan to implement these changes January 1, 2012.

Conclusion – Response accepted

- II-B-11 Reconciliation of Utility Billings, Collections and Delinquencies – Utility billings, collections and delinquent accounts were not reconciled throughout the year. Also, utility collections were not reconciled to deposits.

Recommendation – Procedures should be established to reconcile utility billings, collections and delinquencies for each billing period and to reconcile collections to deposits. The Council or a Council-designated independent person should review the reconciliations and monitor delinquencies.

Response and Corrective Action Planned – These procedures have been implemented as recommended effective January 1, 2012.

Conclusion – Response accepted.

City of Boyden, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- II-C-11 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person. The cash disbursements listing, checks, and their posting of the check disbursements to the cash disbursements journal are all done by the same person.
- Recommendation – We realize that with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.
- Response – We have reviewed procedures and plan to make the necessary changes to improve internal control. Specifically, the Council or Mayor will also start reviewing and tracing deposits to cash receipts journal posting and checks to cash disbursements journal posting.
- Conclusion – Response accepted.
- II-D-11 Credit Cards – The City has a credit card for use by an employee while on City business. The City has not adopted a formal policy to regulate the use of credit cards and to establish procedures for the proper accounting of credit card charges.
- Recommendation – The City should adopt a formal written policy regulating the use of City credit cards. The policy, at a minimum, should address who controls credit cards, who is authorized to use credit cards and for what purposes, as well as the types of supporting documentation required to substantiate charges.
- Response – Although we have not established a formal written policy detailing specifics on the use of City credit cards, we have unwritten guidelines. We will review procedures and guidelines and establish a written policy.
- Conclusion – Response accepted.
- II-E-11 Capital Assets Record – A complete record of capital assets is not maintained.
- Recommendation – To facilitate the proper insurance, maintenance and safeguarding of these assets, such records should be established. An inventory of all property and equipment should be taken by an independent person at least once a year and compared against capital assets records.
- Response – We will work on implementing this recommendation.
- Conclusion – Response accepted.

City of Boyden, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

II-F-11 Fund Accounting – The City has attempted to record transactions by fund accounting through various checking accounts.

Recommendation – The City should record government fund accounting transactions through the use of government accounting software and/or use of a city clerk's register to track fund activity.

Response – We have acquired city government software and will be tracking the fund activity through this software.

Conclusion – Response accepted.

II-G-11 Financial Statement Preparation – Management has chosen to utilize the auditors in drafting the annual financial statements and footnotes.

Recommendation – Management should prepare the financial statements but has not obtained the sufficient expertise necessary to prepare the financial statement and the footnotes on the basis of cash receipts and disbursements.

Response – Management agrees and understands.

Conclusion – Response accepted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted

Part III: Other Findings Related to Statutory Reporting:

III-A-11 Certified Budget – Disbursements during the year ended June 30, 2011, exceeded the amounts budgeted in the culture and recreation, general government and debt service activities functions. Chapter 384.20 of the Code of Iowa states in part that public monies may not be expended or encumbered except under an annual or continuing appropriation.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

City of Boyden, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- III-B-11 Questionable Disbursements - We noted no expenditures for parties, banquets or other entertainment for employees that we believe may constitute an unlawful expenditure from public funds as defined in an Attorney General's opinion dated April 25, 1979.
- III-C-11 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials and/or employees were noted.
- III-D-11 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows.

Name, Title and Business Connection	Transaction Description	Amount
Tim Lammers Mayor	Snow Removal	\$ 1,095

In accordance with Chapter 362.5 (3)(j) of the Code of Iowa, the transactions with the Council Member do not appear to represent a conflict of interest since total transactions with each individual were less than \$1,500 during the fiscal year.

- III-E-11 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- III-F-11 Council Minutes - No transactions were found that we believe should have been approved in the council minutes but were not.

The council minutes should include the receipts by fund classification and disbursements by fund classification.

Also, the City did not publish annual gross salaries in accordance with an Attorney General's opinion dated April 12, 1978.

Recommendation - The City should include the receipts and disbursements by fund classification and should publish annual individual salaries as required.

Response - We will publish minutes and salaries as required.

Conclusion - Response accepted.

- III-G-11 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

City of Boyden, Iowa
Schedule of Findings and Questioned Costs
Year Ended June 30, 2011

- III-H-11 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-I-11 Payment of General Obligation Bonds – Certain general obligation bonds were paid from various funds. Chapter 384.4 of the Code of Iowa states, in part “Moneys pledged or available to service general obligation bonds, and received from sources other than property tax, must be deposited in the debt service fund.”
- Recommendation – The City should transfer from the various funds to the Debt Service Fund for future funding contributions. Payment of the loans and notes should then be disbursed from the Debt Service Fund.
- Response – We will transfer in the future as recommended.
- Conclusion – Response accepted.
- III-J-11 Sales Tax – Sales tax on sewer services provided to non-residential commercial operations was not uniformly assessed.
- Recommendation – The City should uniformly assess sales tax on sewer services provided to non-residential commercial operations in accordance with section 701-26.72 of the Iowa Department of Revenue Administrative Rules and Regulations.
- Response – This will be corrected.
- Conclusion – Response accepted.